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EASTERN BAKERIES Limited

Annual Report

For the fiscal year ended October 27, 1979





EASTERN BAKERIES Limited

3 owned
by Maple Leaf Mills
Ltd,
Toronto

~~own~~

based in
→ Saint John
N.B.

SUBSIDIARY COMPANY

BERWICK BAKERY LIMITED

DIRECTORS

L.M. BELL H.W. BLAKELY R.B. BRENNAN JR.
R.G. DALE D.G. HICKINGBOTTOM L.M. MACHUM, Q.C. J.A. TELFER

MANAGEMENT

DONALD G. HICKINGBOTTOM, President and Chief Executive Officer
JOHN H. BLACK, Secretary Treasurer
S. FRASER CAMPBELL, Vice President, Production
GLEN J. GIBBONS, Vice President, Finance
JOHN T. NISBET, Vice President, Sales

D.G. ANGLIN, Director of Operations
H.J. ARSENEAULT, Manager Operations — Berwick Bakery Division
W.J. CHASE, Manager, Data Processing
R. CHAFE, Manager Operations, Walsh's Bakery Division

F. HART, Manager, Moncton Plant
D.A. NOEL, Director of Marketing
I.C. PARKER, Comptroller
G.J. YOUNG, Manager, Personnel Relations

AUDITORS

THORNE RIDDELL & CO., Saint John, N.B.

BANKERS

BANK OF MONTREAL, Saint John, N.B.

TRANSFER AGENTS

MONTREAL TRUST COMPANY, Saint John, N.B., and Montreal, P.Q.

EASTERN BAKERIES LIMITED, 1979



A NEW BUTTER-NUT PRODUCT

FINANCIAL HIGHLIGHTS

	<u>1979</u>	<u>1978</u>
NET SALES	24,342,779	21,556,804
INVESTMENT INCOME	259,347	171,177
INCOME BEFORE INCOME TAXES	2,272,132	1,895,303
INCOME TAXES	965,500	776,397
NET INCOME FOR THE YEAR	1,306,632	1,118,906
EARNINGS PER SHARE FOR THE YEAR	1.17	1.00
RETURN ON INVESTMENT	17.6%	16.8%
DIVIDENDS ON COMMON SHARES	668,855	430,831
EQUITY PER COMMON SHARE	6.00	5.43
WORKING CAPITAL	3,206,336	2,611,855
CAPITAL SPENDING	909,643	1,340,228

TO THE SHAREHOLDERS

The fiscal year 1979 was a record one for the Company as sales increased 13% and net income advanced 17% over the prior year.

Results for the fiscal year which ended October 27, 1979 show that earnings were \$1,306,632 or \$1.17 per share as compared to \$1,118,906 or \$1.00 per share for the previous year.

The improvement in reported earnings is attributed to the maintenance of a high level of efficiency throughout our operations during the year and to the increase in investment income.

Sales for the year were \$24,342,779 as compared to the \$21,556,804 recorded last year.

In early September we introduced another new product, "Butter-Nut Raisin Bread", which has achieved a high level of consumer acceptance and is now available in most retail food store outlets. Three new products unlike any product available in our market are currently at the development stage. These products will be launched at intervals throughout the course of our new fiscal year and we are confident they will be well received.

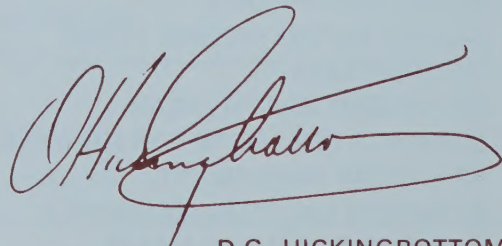
During the fourth quarter we encountered very intense competition in some of our markets, which we expect will carry well into our new fiscal year. To assist in offsetting the anticipated negative effect on earnings arising from this situation, we are planning to utilize to a greater degree the new modern roll facilities of our Moncton plant. Other economies are anticipated from capital expenditure programs planned for the year.

Dividends paid throughout the fiscal year ending October 27, 1979 totalled 60¢ per share, which included an extra dividend of 12¢ per share.

At a special general meeting of the Shareholders held on September 24, 1979, a Memorandum of Agreement was approved, effective the 28th day of October, 1979, between Eastern Bakeries Limited and Berwick Bakery Limited providing for their amalgamation under the name of Eastern Bakeries Limited. We confirm that this amalgamation took place October 28, 1979.

I would like to express appreciation to our employees who have again played such an important part in the successes of the past year. I am confident that our people will be equal to the challenges of the future and that the Company will continue to prosper.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "D.G. Hickingbottom", with a large, sweeping flourish at the end.

D.G. HICKINGBOTTOM,
President and Chief Executive Officer

December 14, 1979

EASTERN BAKERIES LIMITED
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
 YEAR ENDED OCTOBER 27, 1979

	<u>1979</u>	<u>1978</u>
Sales and revenues		
Sales	\$24,342,779	\$21,556,804
Investment Income	259,347	171,177
	<u>24,602,126</u>	<u>21,727,981</u>
Costs and expenses		
Cost of sales and operating expenses	19,727,286	17,440,156
Administration	1,874,002	1,749,043
Depreciation	728,706	643,479
	<u>22,329,994</u>	<u>19,832,678</u>
Income before income taxes	<u>2,272,132</u>	<u>1,895,303</u>
Income taxes		
Current	832,000	638,397
Deferred	133,500	138,000
	<u>965,500</u>	<u>776,397</u>
NET INCOME	\$ 1,306,632	\$ 1,118,906
Retained earnings at beginning of year	5,995,466	5,307,391
	7,302,098	6,426,297
Dividends	<u>668,855</u>	<u>430,831</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 6,633,243</u>	<u>\$ 5,995,466</u>
Basic earnings per share	<u>\$ 1.17</u>	<u>\$ 1.00</u>

EASTERN BAKERIES LIMITED

(Incorporated under the laws of New Brunswick)

CONSOLIDATED BALANCE SHEET

ASSETS

	<u>1979</u>	<u>1978</u>
<i>CURRENT</i>		
Cash	\$ 224,844	\$ 82,722
Term deposits	1,954,438	1,483,870
Marketable securities, at cost (quoted market value 1979, \$1,271,009; 1978, \$1,144,198)	1,309,468	1,118,514
Accounts receivable	1,670,173	1,494,265
Income taxes recoverable		127,979
Federal equipment grant receivable	10,750	10,750
Inventories	480,186	421,706
Prepaid expenses	183,418	170,658
	<u>5,833,277</u>	<u>4,910,464</u>
 <i>OTHER INVESTMENTS</i>	 <u>7,100</u>	 <u>7,100</u>
 <i>FIXED (note 2)</i>		
Land, buildings, machinery and equipment	9,687,651	9,337,779
Less accumulated depreciation	<u>5,827,525</u>	<u>5,655,529</u>
	<u>3,860,126</u>	<u>3,682,250</u>
 <i>INTANGIBLE</i>		
Goodwill	<u>376,354</u>	<u>376,354</u>
	<u><u>\$10,076,857</u></u>	<u><u>\$8,976,168</u></u>

Approved by the Board:

Director R.G. DALE

Director D.G. HICKINGBOTTOM

NET ASSETS — OCTOBER 27, 1979

LIABILITIES

	<u>1979</u>	<u>1978</u>
<i>CURRENT</i>		
Accounts payable and accrued liabilities	\$ 1,688,479	\$1,476,767
Payable to parent company, Maple Leaf Mills Limited	656,069	536,023
Income and other taxes payable	282,393	192,968
Dividends payable		92,851
	<u>2,626,941</u>	<u>2,298,609</u>
<i>DEFERRED INCOME TAXES</i>	<u>763,500</u>	<u>630,000</u>

SHAREHOLDERS' EQUITY

<i>CAPITAL STOCK</i> (note 3)		
Authorized		
1,170,000 Common shares of no par value		
Issued		
1,114,758 Common shares (371,406 in 1978)	53,173	52,093
<i>RETAINED EARNINGS</i>	<u>6,633,243</u>	<u>5,995,466</u>
	<u>6,686,416</u>	<u>6,047,559</u>
	<u>\$10,076,857</u>	<u>\$8,976,168</u>

LEASE COMMITMENTS (note 4)

UNFUNDED PAST SERVICE PENSION LIABILITY (note 5)

SUBSEQUENT EVENT (note 6)

EASTERN BAKERIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED OCTOBER 27, 1979

	<u>1979</u>	<u>1978</u>
<i>WORKING CAPITAL DERIVED FROM</i>		
Operations	\$2,158,610	\$1,900,538
Payment of mortgage receivable		164,000
Issue of common shares	1,080	14,994
Sale of fixed assets	<u>13,289</u>	<u>3,915</u>
	<u>2,172,979</u>	<u>2,083,447</u>
<i>WORKING CAPITAL APPLIED TO</i>		
Additions to fixed assets	909,643	1,340,228
Dividends	<u>668,855</u>	<u>430,831</u>
	<u>1,578,498</u>	<u>1,771,059</u>
<i>INCREASE IN WORKING CAPITAL</i>	594,481	312,388
<i>WORKING CAPITAL AT BEGINNING OF YEAR</i>	<u>2,611,855</u>	<u>2,299,467</u>
<i>WORKING CAPITAL AT END OF YEAR</i>	<u><u>\$3,206,336</u></u>	<u><u>\$2,611,855</u></u>

AUDITORS' REPORT

To the Shareholders of Eastern Bakeries Limited

We have examined the consolidated balance sheet of Eastern Bakeries Limited as at October 27, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 27, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, New Brunswick
December 5, 1979

Thorne Riddell & Co.
Chartered Accountants

EASTERN BAKERIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED OCTOBER 27, 1979

1. ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary company, Berwick Bakery Limited.

(b) Inventories

Inventories of raw materials, wrapping supplies and other items are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and net realizable value.

(c) Fixed assets

All fixed assets are stated at cost. Depreciation is provided on both the diminishing balance basis and the straight line basis using the following annual rates:

Land improvements	4%
Buildings	5 to 10%
Machinery and equipment	6.67 to 25%
Delivery equipment	30%

(d) Goodwill

Goodwill is stated at cost and is not being amortized.

(e) Income taxes

Deferred income taxes arise from claiming depreciation and other items for tax purposes in amounts differing from those recorded in the accounts.

2. FIXED ASSETS

	<u>1979</u>		<u>1978</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 256,603		\$ 256,603
Land improvements	31,015	\$ 10,034	20,981
Buildings	2,428,683	1,042,001	1,386,682
Machinery and equipment	6,222,258	4,304,256	1,918,002
Delivery equipment	749,092	471,234	277,858
	<u>\$9,687,651</u>	<u>\$5,827,525</u>	<u>\$3,860,126</u>
			<u>\$3,682,250</u>

3. CAPITAL STOCK

During the year all outstanding stock options on the common shares were exercised, and the common shares were split on a basis of three for one.

4. LEASE COMMITMENTS

The company rents delivery equipment under a lease. The minimum annual rentals in each of the next four years are:

1980	152,000
1981	74,000
1982	13,000
1983	3,000

5. UNFUNDED PAST SERVICE PENSION LIABILITY

As a result of improvement to the company pension plan effective June 30, 1978, the company has an unfunded past service pension liability of \$53,000 as at October 27, 1979. The company has paid \$82,500 in the current year for past pension liabilities at the end of the previous year. The company expects to repay the remaining liability within the next year.

6. SUBSEQUENT EVENT

Effective October 28, 1979 the company amalgamated with its wholly-owned subsidiary, Berwick Bakery Limited, under a statutory amalgamation. The operations of the companies are to be continued under the name of Eastern Bakeries Limited.

